

CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

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COUNTRY East Germany

REPORT NO.

SUBJECT Situation Report

DATE DISTR. 12 January 1954

25X1

NO. OF PAGES 4

DATE OF INFO.

REQUIREMENT NO. RD

PLACE ACQUIRED

REFERENCES

25X1X

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1. During the week 1-8 January 1954, Ambassador V. S. Semenov, Minister President Otto Grotewohl, and Deputy Minister President Walter Ulbricht were all in Berlin. No leading personalities traveled between Berlin and Moscow. The Agitprop section of the SED devoted all its energy to advocacy of all-German participation in the Four-Power Conference; even the preparations for the fourth SED Party Congress were pushed into the background. These facts suggest that the Eastern bloc's line regarding the Conference is now firmly established.
2. The main points of the Agitprop line are as follows:
 - a. The interview between Malenkov and Kingsbury Smith shows that the possibility of reaching an agreement exists, and that the Soviet authorities have demonstrated their good will, which is supposed to be illustrated also by the return of 33 SAGs to German control.
 - b. The DDR is the model for a future German state. This is strongly emphasized in Ulbricht's speech on New Year's Day calling for the strengthening of the DDR, the furtherance of the "new course" to raise the standard of living, and the continuation of the "national reconstruction programme". It may be noted

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that the leading article in Neues Deutschland on 7 January again demanded the end of private control of heavy industry, land reform, and "demilitarization" in West Germany as the chief points in a "democratic peace treaty according to the recommendations of the Soviet Union".

- c. There are repeated demands that there must be no international control of all-German elections.
 - d. Very strong emphasis is still placed on lists of petitions, both genuine and falsified, "representing the voice of the people" and demanding the admission of delegates from both parts of Germany to the Conference.
 - e. Attempts to woo France continue, illustrated by Semenov's visit to High Commissioner André François-Poncet.
 - f. Sharp attacks continue to be made on the Bonn government, although there are simultaneous attempts to court individual members of the Bundestag.
3. In view of the known methods of strict press control in the DDR, the article in the Neue Zeit (East CDU) stating that West Berlin is unsuitable as a site for the Conference because of "insufficient security", unless four-power police control is arranged, may be a government-directed attempt to put the West CDU into a position where an all-German CDU will adopt the current Eastern line as to all-German questions.
4. There are two possible interpretations of the announcement by the Council of Ministers of the formation of a "Committee for German Unity": if the Conference should fail to bring unification, the Committee would be an Eastern counterpart of the Kaiser ministry; if the Conference should turn into a long-drawn-out affair, the Committee would be a special publicity channel for the East German government. The reasons for the choice of Deputy Minister President Hans Loch as chairman and Albert Norden as secretary of the Committee are unclear. Loch, a leader of the feeble LDP, [] while 25X6 Norden, a former emigrant in the West and an anti-American intellectual, was shelved when the Office for Information was abolished. In any case, there is no indication of any modification of the Eastern concept of a united Germany.

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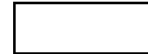
5. Although the Office for Reparations has been formally dissolved, its entire apparatus will remain intact. It is no longer responsible directly to Grotewohl, but will function as a "control apparatus" within the Ministry of Domestic and Foreign Trade; no official publicity has been given to this fact. Orders hitherto classified as reparations continue in effect, still calling for the same quantity of deliveries; it is not clear whether these are hidden reparations or how payment is to be made. (Reparations in 1953 are said to have amounted to 1.3 billion east marks actual value.)
6. The appointment of [redacted] Johannes R. Becher 25X6 to the newly created post of Minister for Culture may be an attempt to appeal to all-German sentiments. The appointments of the "apparatchiks" Sepp Schwab and Helmut Holtzhauer have been canceled, in the latter case at a specific demand by the Central Committee's cultural affairs expert, Paul Wandel. There are no indications why [redacted] Fritz Apelt, head of the literature office, and Alexander Abusch, Western emigrant and associate of Paul Merker, were appointed State Secretaries in the Culture Ministry. It is clear, however, that at present the "new course" is being pushed faster in the cultural than in the economic sphere. With the elimination of Holtzhauer, the "liberal" policy, as advocated in the anti-bureaucracy memorandum issued by the Kulturbund and the Art Academy, as well as in the Berliner Zeitung article written by Wolfgang Harich, appears to be in the ascendancy. It is not clear how this policy will affect Wilhelm Girnus, now a member of the Central Committee, who was attacked for his cultural stand after 17 June. A cultural "new course" is further indicated by the following: appearance of a sensation-featuring magazine in the DDR; institution of pari-mutuel betting; revival of the political cabaret in East Berlin; increased emphasis on music and other cultural features, and decrease of propaganda, in the Radio Berlin broadcasts directed to the West.


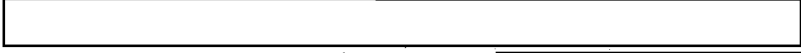


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7. The Minister for Education, who was to have been appointed by 1 January 1954, has still not been selected. The following are regarded as possible candidates: 25X6
Wandel, apparently indispensable in the Central Committee; the present State Secretary Hans-Joachim Laabs, 25X6
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 Gerhard Harig, 25X6
State Secretary for University Affairs, 
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8. Alfred Binz, director of the State Administration for Material Supply, has been relieved of his duties. Kurt Koch, chief of a Main Department in the Reparations Office, has been designated as his successor.
9. As for the Economic Plan for 1954, it is noteworthy that artisan groups (Handwerk) are expected to contribute 149 per cent, and private industry 126 per cent, of the 1953 total. Although the production of consumer goods is to be increased by 25 per cent, internal directives reveal that the Consumer Goods Section, previously attached to the Reparations Office (see para. 5), is to be expanded in order to raise exports to Communist China and North Korea. Reports from the larger cities in Saxony indicate that the Christmas boom in HO consumer goods is over.
10. Aside from changes in the cultural field (see para. 6, above), no functionary shifts within the SED have been reported. Erich Mückenberger has been confirmed as responsible for agriculture in the Secretariat of the SED Central Committee. It appears that Paul Verner and Otto Schoen are assisting Karl Schirdewan with the preparations for the Fourth Party Congress. The elections of new members of the Party Shop Organization (BPO) have been given remarkably little publicity.

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